

Message Text

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SUBJECT: FY1977 MILITARY SECURITY ASSISTANCE

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1. THE US SECURITY ASSISTANCE PROGRAM IN BOLIVIA HAS BEEN SEEKING TO ACCOMPLISH TWO OBJECTIVES: THE EQUIPPING OF FIVE TIPO REGIMENTS IN ACCORDANCE WITH A LONG-STANDING COMMITMENT WITH MAP GRANT MAERIELS AND THE SHIFTING FROM DONATIONS TO FMS CASH AND CREDIT SALES. THE MAP GRANT PROGRAM FOR THE TIPOS HAS LAGGED BADLY BOTH AS TO FINANCING AND TIMING OF DELIVERIES. THIS IS A MATTER OF CONCERN TO THE PRESIDENT OF BOLIVIA, THE BOLIVIAN MILITARY, AND ALL US ELEMENTS WORKING HERE. WHILE THE FY76 MAP GRANT PROGRAM HAS NOT YET BEEN MADE EFFECTIVE BY LEGISLATION, BOLIVIA IS INCLUDED AT THE LEVE OF \$2.1 MILLION BUT WE ARE HOPING THAT THIS WILL BE INCREASED SO THAT A EFFECTIVE AMOUNT OF A LEAST \$3.3 MILLION WILL BE OBTAINED. DEPENDING UPON THE SUCCESS ACHIEVED IN 76 FINANCING AND MANY PROBLEMS WITH PRICE INFLATION OR EQUIPMENT SUBSTITUTION, WE MAY BE ABLE TO COMPLETE THE FINANCING OF THE PROGRAM IN FY77. MEANTIME WE ARE CONTINUING ON AN UPWARD TREND IN FMS CREDIT OFFERS FOR BOLIVIA. THIS IS A HEALTHY SHIFT PROVIDED THAT THE US MILITARY AUTHORITIES TREAT BOLIVIAN REQUESTS AS VALID ONES STEMMING FROM A SOVEREIGN AND PROUD THOUGH POOR COUNTRY.

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2. THE US IS CONTINUING A BILATERAL AID TECHNICAL ASSISTANCE

AND LOAN PROGRAM IN BOLIVIA AT A MODEST LEVEL APPROPRIATE TO THE ABSORPTIVE CAPACITY OF THE COUNTRY AND GEARED TO HELP THE RURAL POOR. BOLIVIA HAS BEEN ABLE TO OBTAIN PROJECT CREDITS FROM OTHER INTERNATIONAL LENDERS ON REASONABLE TERMS TO ASSIST IN THE DIFFICULT WORK OF INTEGRATING THIS NATION AND PROVIDING A REASONABLE INFRASTRUCTURE FOR DEVELOPMENT. THE COUNTRY STILL HAS ADDITIONAL DEBT CAPACITY AVAILABLE TO IT AND IF WORLD MINERALS PRICES IMPROVE AS IS EXPECTED, ITS CAPACITY TO TAKE ON EXTRA DEBT WILL RISE ACCORDINGLY. THE INTERAMERICAN DEVELOPMENT BANK HAS BECOME THE LEADING INTERNATIONAL FINANCIAL INSTITUTION IN TERMS OF VALUE OF DEVELOPMENT CREDITS. THE WORLD BANK IS REPORTEDLY INTENDING TO CREATE A CONSULTATIVE GROUP IN BOLIVIA. THESE TWO ORGANIZATIONS ARE QUITE OPTIMISTIC ABOUT THE NEAR-TERM POTENTIAL FOR ECONOMIC AND SOCIAL DEVELOPMENT IN THIS COUNTRY.

3. BOLIVIA REMAINS FRIENDLY TO THE US AND IS ENJOYING A PERIOD OF POLITICAL STABILITY SUCH AS HAS NOT OCCURRED IN MODERN HISTORY. THE LEADERSHIP ON INTERNAL AND EXTERNAL POLICY, BOTH POLITICAL AND ECONOMIC, IS MODERATE AND ORTHODOX AND THERE ARE NO BILATERAL PROBLEMS BETWEEN THE US AND BOLIVIA. ALTHOUGH THE COUNTRY IS A SOURCE OF THE RAW MATERIAL FOR THE PRODUCTION OF COCAINE, THE BOLIVIAN AUTHORITIES ARE COOPERATING WITH THE US IN EFFORTS TO DIVERSIFY CROP PRODUCTION AND ALSO TO REDUCE ILLICIT TRAFFICKING IN PASTE AND CRYSTAL.

4. WHILE THERE IS AT TIMES TALK ABOUT PURCHASES OF MILITARY EQUIPMENT FROM COUNTRIES OTHER THAN THE US, MOST OF THESE PURCHASES HAVE NOT MATERIALIZED. GOB POLICY IS QUITE CONSERVATIVE AND THERE IS A DESIRE TO CONSERVE FOREIGN EXCHANGE. THUS, MOST EQUIPMENT DELIVERIES FROM COUNTRIES OTHER THAN THE US HAVE BEEN ALMOST GIFT OR ON EASY CREDIT TERMS. BOLIVIA CONTINUES TO CONSIDER ITSELF A RESPONSIBLE MEMBER OF THE WESTERN HEMISPHERE UNDER US LEADERSHIP AND WISHES TO CONTINUE ITS MODERATE PROGRAM MODERNIZATION OF ITS MILITARY WITH US ADVICE, US GRANTS, AND US CREDITS. GIVEN THE RELATIVELY SMALL VOLUME OF FINANCING REQUIRED, IT IS CLEARLY IN THE US NATIONAL INTEREST TO CONTINUE TO MEET OUR SECURITY ASSISTANCE OBJECTIVES WITH THE MODEST US RESOURCES PROGRAM.

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